

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
Item 66 ID#3685
RESOLUTION E-3881
July 8, 2004

R E S O L U T I O N

Resolution E-3881. Southern California Edison Company (SCE) for approval of Modifications to the Demand Response Goals and Programs for Large Customers as authorized by Administrative Law Judge Ruling issued on June 2, 2004.

By Advice Letter 1805-E filed on June 14, 2004.

SUMMARY

SCE's proposed modifications to its existing demand response programs are approved.

SCE requested Commission approval of several modifications to its existing demand response programs for large customers (>200 kW). These modifications include:

- Elimination of the 3% performance requirement for bill protection in the Critical Peak Pricing (CPP) tariff.
- Expanding the notification requirement of pending CPP events from one day to two days (effective for one year only).
- Opening the Demand Bidding Program to Direct Access customers.

SCE's proposed modifications comply with the ALJ Ruling

On June 2, 2004, an Administrative Law Judge (ALJ) Ruling provided guidance to the utilities regarding appropriate modifications to existing demand response programs. The ruling aimed to expand customer eligibility for the programs while avoiding significant impacts.

BACKGROUND

An ALJ Ruling Provided Guidance on Modifications to Existing Demand Response Programs.

On June 2, 2004, the Administrative Law Judge (ALJ) in Rulemaking (R.) 02-06-001 issued a Ruling Approving 2004 Schedule and Plan for the Statewide Pricing

Pilot Evaluation and Customer Research Activities and Establishing Process for Evaluation of Proposed 2005 Price Responsive Demand Programs (Ruling).

The Ruling reviewed a number of program modifications proposed by the utilities, guided by the following set of principles:

- Does the proposed change expand customer eligibility? (positive)
- Would the proposed change modify an important aspect of the program design? (negative)

The Ruling directed the utilities to file advice letters to implement the approved 2004 program changes described within the Ruling.

SCE filed proposed modifications to 2004 demand response programs in response to the Administrative Law Judge's Ruling.

On June 14, 2004, SCE filed AL 1805-E in compliance with Ordering Paragraph 3 of the Ruling. In its AL, SCE proposes modifications to the Critical Peak Pricing (CPP) Schedules, revisions to the Demand Bidding Program (DBP) Schedule and the DBP Agreement (Form 14-741).

Specifically, SCE proposes:

- Eliminating the 3% bill protection performance requirement in Schedules TOU-8-CPP, GS2-TOU-CPP, and TOU-PA-CPP.
- Changing the required notification of a pending CPP event from one day to two days in Schedules TOU-8-CPP, GS2-TOU-CPP, and TOU-PA-CPP. Consistent with the Ruling, this modification to the statewide CPP program is only effective for SCE for one year, unless modified or extended by the Commission prior to June 15, 2005. The trigger will not change, but will occur two days ahead from one day ahead.
- Opening the DBP to Direct Access (DA) customers.
- Tracking the incremental Operating and Maintenance (O&M) costs associated with DA customers' participation in the DBP.
- Revising the DBP Agreement (Form 14-741) to correct the cross reference to Schedule DBP special condition 3, which outlines the customer's Energy Bid.

NOTICE

Notice of AL 1805-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

SCE's Advice Letter AL 1805-E was timely protested by the California Large Energy Consumers Association (CLECA). CLECA's protest was received on June 18, 2004.

SCE responded to CLECA's protest on June 25, 2004.

CLECA generally supports SCE's filing, but raises concerns about one specific proposal in SCE's filing: the proposal to include DA customers in SCE's revised DBP. In SCE's proposal, prior to DA customers participating in the DBP, SCE would require their Energy Service Providers (ESPs) to "contractually agree to arrangements, whose details are not yet developed, that will result in all SCE's bundled service and DA customers receiving the benefits of the energy agreed upon by the participating DA customers." (SCE AL 1805-E, p.3) CLECA is concerned that all DA customers will be billed for the program, while a DA customer's participation is contingent on an agreement between SCE and their ESP.

In response, SCE states that sharing the costs between bundled customers and DA customers is fair "as it results in equitable sharing the cost burden as well as the benefits of the program." SCE also clarifies that the proposal was "not intended to be a proposal that would allow an ESP to accept or reject this agreement on an individual basis, but rather to be a generally-accepted arrangement."

Given that all three utilities were directed to propose and implement changes to their 2004 demand response programs, it is desirable to achieve a general level of consistency between the utilities. Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E) both propose opening the DBP to DA customers, but do not propose any requirements specific to agreements between the utility and a ESP. Therefore, SCE shall open the DBP to DA customers without specific restrictions concerning the DA customer's ESP.

DISCUSSION

SCE filed AL 1805-E in compliance with Ordering Paragraph 3 of the Ruling. Energy Division recommends the adoption of the proposed modifications to the 2004 programs with the exception of SCE's proposal to require an agreement between itself and ESPs for DA customers' participation in the Demand Bidding program.

Eliminating the 3% bill protection performance requirement is in compliance with the Ruling.

SCE proposes modifications to Schedules TOU-8-CPP, GS2-TOU-CPP, and TOU-PA-CPP. This is consistent with Section 2.10 of the Ruling, which states that "the 3% performance requirement should be eliminated from the CPP tariff for customers in all three utility service territories." (Ruling, p.9) Customers would be allowed to participate in the CPP program during the summer of 2004.

Changing the required notification of a pending CPP event from one day to two days is in compliance with the Ruling.

Modifications to Schedules TOU-8-CPP, GS2-TOU-CPP, and TOU-PA-CPP, as proposed by SEC, are consistent with Section 2.9 of the Ruling. By providing notification two days ahead, customers have more time to determine how to achieve load reduction. The Ruling determined that two-day notice is beneficial to customers and SCE is authorized to implement this change for one year, unless modified or extended before June 15, 2005.

Expanding DBP eligibility to DA customers is in compliance with the Ruling, however DA customers' participation in the DBP should not be contingent upon an agreement between the utility and the DA customer's ESP.

Consistent with Sections 2.2 and 2.3 of the Ruling, SCE proposes to open the DBP to eligible DA customers. SCE states that eligibility is "contingent on formalizing an acceptable arrangement between the customer's Energy Service Provider (ESP) and SCE." (AL 1805-E, p.2) SCE agrees with the Ruling that DA customers have potential as a source of demand response and that allowing DA customers to participate will increase the load available for demand reduction.

Energy Division acknowledges CLECA's protest regarding SCE's proposal that DA customers' participation is contingent on an agreement between the ESP and SCE. For reasons discussed earlier, SCE shall open the DBP to DA customers without specific restrictions concerning the DA customer's ESP.

SCE plans to track additional incremental O&M costs associated with DA customers' participation in the DBP.

DA customers participating in DBP will be offered incentive payments at the same level as SCE's bundled service customers. SCE estimates the incremental costs to implement and administer DBP for DA customers to be \$178,000. The costs include a first year amount of \$168,000 for billing system enhancements, meter data collection system modifications and contract administration and \$10,000 for on-going system maintenance and program administration. SCE requests Commission authorization to record such expenditures in its Base Revenue Requirement Balancing Account (BRRBA) for recovery from all customers.

SCE proposes to recover the costs of DBP in memorandum accounts.

The monetary benefits of the DBP are determined by valuing the freed-up energy at the Independent System Operator (ISO) ex-post hourly price. Currently, SCE records the associated revenues in its Energy Resource Recovery Account (ERRA), whose balance is recovered from SCE's bundled service customers. SCE proposes to establish a new memorandum account to record the value of the freed-up energy. SCE also proposes to record the implementation costs of the DBP in the newly created Demand Bidding Program Memorandum Account (DBPMA).

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to reduce the 30-day waiting period required by PU Code section 311(g)(1) to nine days. Accordingly, this matter will be placed on the first Commission's agenda nine days following the mailing of this draft resolution. By stipulation of all parties, comments shall be filed on July 1, 2004; reply comments shall be filed by 2:00pm PST on July 6, 2004.

FINDINGS

1. The Administrative Law Judge's Ruling, issued on June 2, 2004, directed the utilities to file advice letters to implement modifications to 2004 demand response programs.
2. SCE filed AL 1805-E on June 14, 2004, requesting Commission approval of modifications to the demand response goals and programs for large customers.
3. SCE proposed, in compliance with the ALJ Ruling, modifications to the CPP Schedules for certain Commercial, Industrial and Agricultural service customers with loads above 200kW, revisions to the DBP Schedule and the DBP Agreement Form 14-741.
4. SCE's AL 1805-E was timely protested by the California Large Energy Consumers Association (CLECA). CLECA's protest was received on June 18, 2004.
5. DA customers' participation in the DBP should not be contingent upon an agreement between the utility and the DA customer's ESP.

THEREFORE IT IS ORDERED THAT:

1. SCE's request for Commission authorization of the 2004 demand response programs modifications, as modified, is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 8, 2004; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director